

## Message Text

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61

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 AID-05 PC-01 L-02 DODE-00 PA-01

USIA-06 PRS-01 SP-02 /048 W

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R 072104Z MAY 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5460

INFO AMCONSUL GUAYAQUIL

LIMITED OFFICIAL USE QUITO 3142

E.O. 11652: N/A

TAGS: ELAB, EC, PINT

SUBJECT: MAY DAY - GOVERNMENT RAISES WAGES

1. SUMMARY: A CONTINUATION OF THE TENDENCY TOWARD UNIFICATION OF THE THREE IDEOLOGICAL STRAINS IN THE ECUADOREAN TRADE UNION MOVEMENT WAS APPARENT DURING MAY DAY FESTIVITIES IN ECUADOR. ON APRIL 30, THE DAY BEFORE THE HOLIDAY, THE GOVERNMENT ANNOUNCED AN INCREASE IN MINIMUM WAGES AND A NEW WAGE FORMULA TO COMPENSATE FOR INCREASES IN THE COST OF LIVING WHICH MET REJECTION FROM WORKERS AND SOME POLITICAL SPOKESMEN. IT IS NOW BEING REVISED. END SUMMARY.

2. MAY DAY PASSED WITHOUT INCIDENT IN ECUADOR. WORKERS FROM THE THREE IDEOLOGICAL WINGS OF THE ECUADOREAN LABOR MOVEMENT MARCHED TOGETHER IN MOST OF THE PRINCIPAL CITIES, PROTESTING INCREASES IN PRICES, ANTI-LABOR MEASURES OF THE GOVERNMENT AND, MOST SEVERELY, THE GOVERNMENT'S DECREE INCREASING WAGES PUBLISHED THE DAY BEFORE. IN GUAYAQUIL, AMONG THE CHRISTIAN TRADE UNIONISTS, A LARGE SIGN WAS SEEN CALLING FOR FORMAL UNITY OF THE THREE TRADE UNION CENTERS.

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3. THE GOVERNMENT'S WAGE DECREE ELIMINATED THE 14TH

MONTH BONUS (13TH IS CHRISTMAS BONUS) WHICH WAS MEANT TO HELP WORKERS MEET SCHOOL ENTRANCE EXPENSES (PAID IN APRIL ON THE COAST AND IN SEPTEMBER IN THE SIERRA IN ACCORDANCE WITH THE BEGINNING OF THE SCHOOL TERM). IN ITS PLACE A NEW BONUS WAS DECREED TO BE PAID OUT OVER ELEVEN MONTHS AND CALCULATED IN ACCORDANCE WITH A COMPLEX FORMULA WHICH TAKES INTO CONSIDERATION EARLIER DECREED WAGE INCREASES TO COMPENSATE FOR THE RISE IN THE COST OF LIVING. AS IN THE PAST, THESE INCREASES WOULD NOT BE SUBJECT TO INCOME TAXES OR SOCIAL SECURITY PAYMENTS. THE DECREE ALSO DECREED MINIMUM WAGES FOR WORKERS COVERED BY THE LABOR CODE, ARTISANS AND DOMESTICS.

4. AS COULD HAVE BEEN EXPECTED, THE DECREE TURNED OUT TO BE TOO COMPLICATED FOR MOST WORKERS TO UNDERSTAND AND WAS REJECTED BY THE CHRISTIANS AND CEOSL FOR NOT OFFERING ENOUGH AND BEING TOO OBSCURE. MOREOVER, THE PATTERN OF NOT INCORPORATING WAGE INCREASES IN THE SOCIAL SECURITY CONTRIBUTION SCHEME WAS REJECTED BY THE WORKER REPRESENTATIVES.

5. COMMENT: IN FACT, THE LAW IS OVERLY COMPLICATED AND REQUIRES VERY CONSIDERABLE CALCULATION TO DETERMINE ITS EFFECT ON THE INDIVIDUAL WORKER. WE ARE INFORMED THAT THE GOVERNMENT HAS TAKEN THE CRITICISM OF ITS WAGE INCREASE TO HEART AND IS AT THIS MOMENT IN THE PROCESS OF REVISING IT. MOST CONSTRUCTIVE LABOR CRITICISM HAS POINTED OUT THAT THE GOVERNMENT WOULD HAVE ACTED IN A MORE POLITICALLY ASTUTE FASHING HAD IT SIMPLY ANNOUNCED PERCENTAGE WAGE INCREASES INSTEAD OF THE COMPLICATED FORMULA IT PROMULGATED.  
HEMENWAY

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